



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 2, 2006

H.R. 1499 **Heroes Earned Retirement Opportunities Act**

*As cleared by the Congress on May 19, 2006,
and signed by the President on May 29, 2006*

SUMMARY

H.R. 1499, enacted as Public Law 109-227, will allow members of the armed forces serving in a combat zone to make contributions to their individual retirement accounts (IRAs) even if the compensation on which such contributions are based is excluded from gross income. The change applies to contributions to both traditional and Roth IRAs. It will also apply retroactively to 2004 and 2005. For those taxable years, contributions to IRAs based on such compensation, made within a three-year period (beginning with the enactment of this legislation), are to be treated as if made on the last day of such taxable year.

The Joint Committee on Taxation (JCT) estimates that H.R. 1499 will reduce federal revenues by \$1 million in 2006, by \$28 million over the 2006-2011 period, and by \$70 million over the 2006-2016 period. The Congressional Budget Office (CBO) estimates that H.R. 1499 will not affect direct spending.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1499 is shown in the following table.

By Fiscal Year, in Millions of Dollars											
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
CHANGES IN REVENUES											
Estimated Revenues	-1	-4	-4	-6	-6	-7	-7	-8	-8	-9	-9

SOURCE: Joint Committee on Taxation.

BASIS OF ESTIMATE

H.R. 1499 will allow members of the armed forces serving in a combat zone to make contributions to their IRAs even if the compensation on which such contributions are based is excluded from gross income. In general, contributions to IRAs for a year are limited to the lesser of compensation included in gross income or amounts specified in law. The gross income of members of the armed forces does not include any compensation received for combat zone service. Thus, this legislation will effectively allow such compensation to be considered when calculating the amount of the allowable contributions to traditional IRAs, which are tax-deductible, thereby decreasing revenues from individual income taxes.

JCT estimates that H.R. 1499 will reduce federal revenues by \$1 million in 2006, by \$28 million over the 2006-2011 period, and by \$70 million over the 2006-2016 period. CBO estimates that H.R. 1499 will not affect direct spending.

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